

# Tracking and verifying company payments to Government agencies in the U.S. extractive industries

A goal of **USEITI** is to support transparency in extractive industries' **payments** to the United States Federal Government. Extractive industries companies (such as oil & gas or mining companies) and the U.S. Government are subject to extensive [laws](#) and [regulations](#) that guide the process for receiving payments. The four most relevant topics of [laws](#) and [regulations](#) include:

1. [Payment and Collection](#)
2. [Data Validation](#)
3. [Audits and Standards](#)
4. [Publication and Disclosure](#)

As the U.S. moves towards **EITI** validation and the implementation of [mainstreaming](#), it is important to highlight that the U.S. employs a system of controls to track money flowing from extractive industries to Government bodies.

This webpage contains information about how payments and revenues are recorded and verified in the extractive industries in the U.S. This includes the types of revenues companies are required to pay and the statutes providing authority to the U.S. Government to collect them. Likewise, it illustrates where these payments are recorded, how they are verified, and how they are publicized.

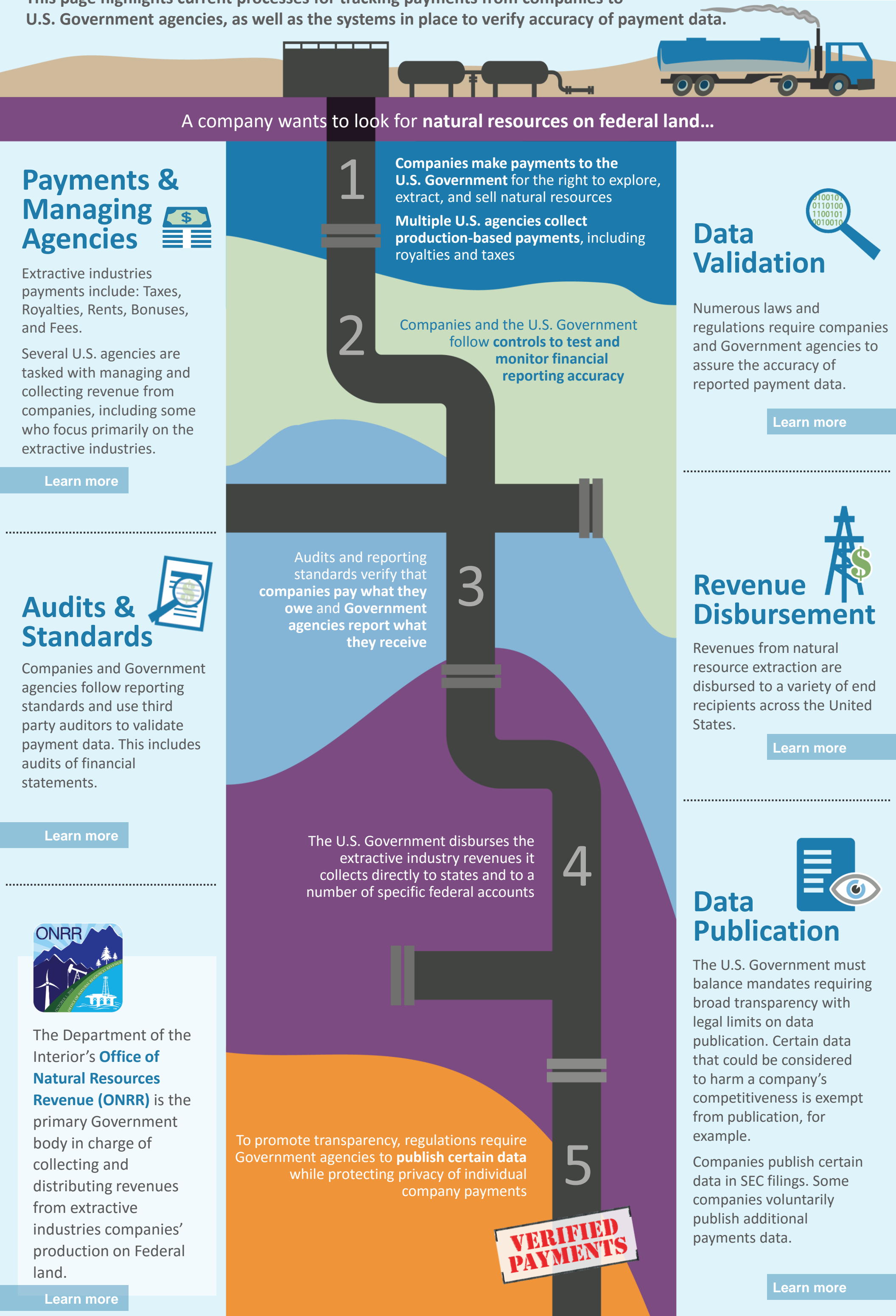
Links below provide additional information on key agencies, standards, and processes that support transparency in extractive industries' payments. The [glossary](#) contains additional detail on key terms, supporting laws, and regulations.

# Tracking company payments to the U.S. Government

DRAFT

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This page highlights current processes for tracking payments from companies to U.S. Government agencies, as well as the systems in place to verify accuracy of payment data.



A company wants to look for natural resources on federal land...

## Payments & Managing Agencies

Extractive industries payments include: Taxes, Royalties, Rents, Bonuses, and Fees.

Several U.S. agencies are tasked with managing and collecting revenue from companies, including some who focus primarily on the extractive industries.

[Learn more](#)

## Audits & Standards

Companies and Government agencies follow reporting standards and use third party auditors to validate payment data. This includes audits of financial statements.

[Learn more](#)



The Department of the Interior's **Office of Natural Resources Revenue (ONRR)** is the primary Government body in charge of collecting and distributing revenues from extractive industries companies' production on Federal land.

[Learn more](#)

1  
Companies make payments to the U.S. Government for the right to explore, extract, and sell natural resources  
Multiple U.S. agencies collect production-based payments, including royalties and taxes

2  
Companies and the U.S. Government follow controls to test and monitor financial reporting accuracy

3  
Audits and reporting standards verify that companies pay what they owe and Government agencies report what they receive

4  
The U.S. Government disburses the extractive industry revenues it collects directly to states and to a number of specific federal accounts

5  
To promote transparency, regulations require Government agencies to publish certain data while protecting privacy of individual company payments

VERIFIED PAYMENTS

## Data Validation

Numerous laws and regulations require companies and Government agencies to assure the accuracy of reported payment data.

[Learn more](#)

## Revenue Disbursement

Revenues from natural resource extraction are disbursed to a variety of end recipients across the United States.

[Learn more](#)

## Data Publication

The U.S. Government must balance mandates requiring broad transparency with legal limits on data publication. Certain data that could be considered to harm a company's competitiveness is exempt from publication, for example.

Companies publish certain data in SEC filings. Some companies voluntarily publish additional payments data.

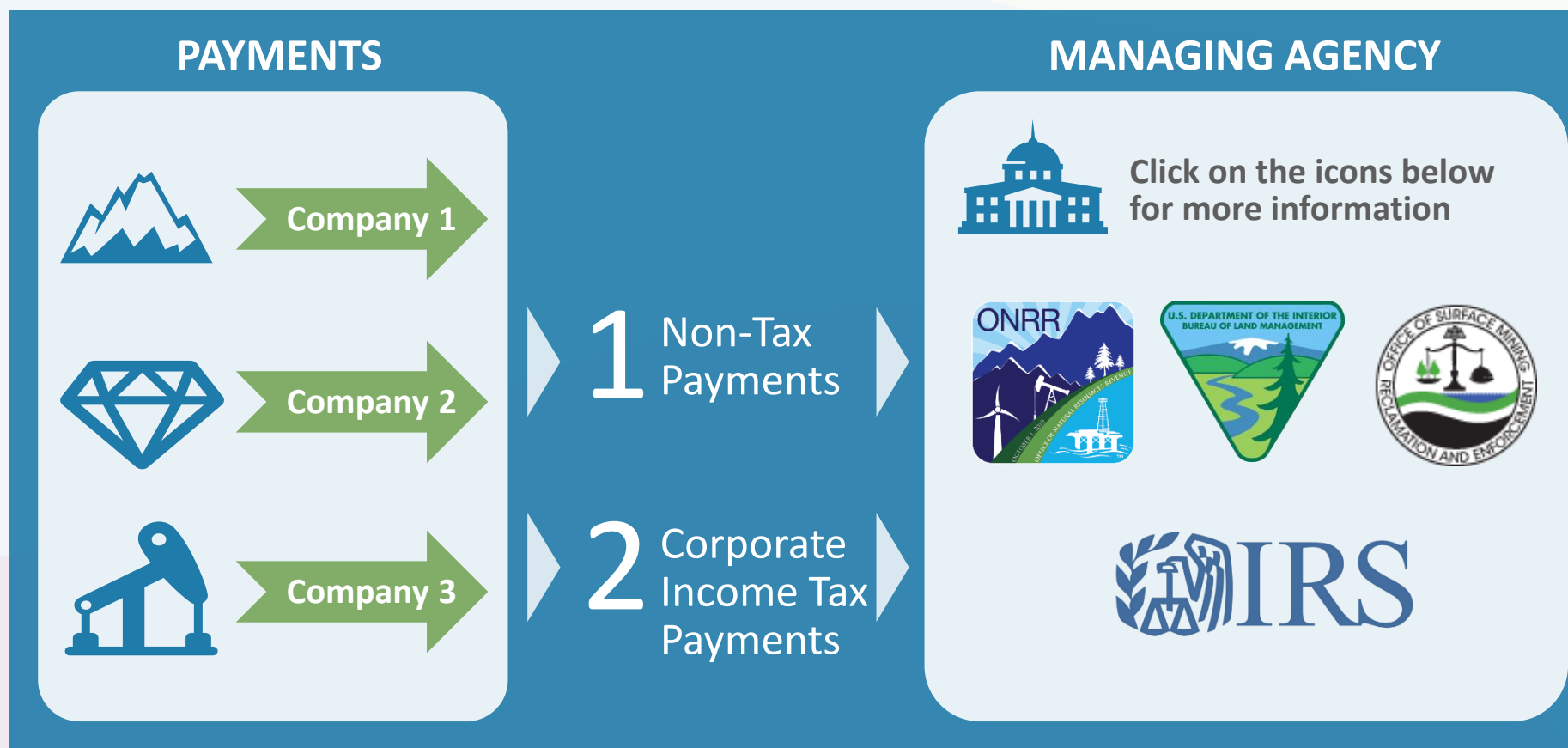
[Learn more](#)

## In the U.S., payments come in two types: non-tax and tax

Companies are required to make certain **payments** to the U.S. Government in order to do business on Federal land. This begins with paying of bonus bids for a lease to look for oil, gas, or minerals, and moves through paying rents and royalties as companies extract resources. The USEITI focuses on corporate income taxes, although companies can pay other types of taxes as well.

A number of U.S. Government agencies are involved in the process of managing these payments. Several different agencies collect non-tax payments depending on the type of payment, the location of exploration and production, and the type of resource being extracted. These include: Department of the Interior's Office of Natural Resources Revenue (**ONRR**), the Bureau of Land Management (**BLM**), and the Office of Surface Mining Reclamation and Enforcement (**OSMRE**). The Internal Revenue Service (**IRS**) is responsible for collecting (corporate) income taxes. Corporations pay Federal corporate income taxes regardless of whether they extract natural resources from federal, state, or privately held lands, inside or outside of the United States, so long as they have a tax liability.

## Tax and Non-Tax Payments & Management in the U.S.



### 1 Non-Tax Payments

#### Applicable laws & regulations

The following laws & regulations require non-tax payments:

- Mineral Leasing Act of 1920
- Outer Continental Shelf Lands Act of 1953
- Federal Oil & Gas Royalty Management Act (FOGRMA) of 1982

[Click here](#) for an extended list of applicable laws & regulations

#### Payment Types

Companies may be required to make the following non-tax payments:

- Abandoned Mine Land Fees
- Bonuses
- Fees
- Penalties
- Royalties
- Rents

[Click here](#) for an extended list of applicable laws & regulations

### 2 Corporate Income Tax Payments

#### Applicable laws & regulations

The following law requires tax payments:

- Internal Revenue Code of 1986– the portion of Federal tax regulations, requires public and non-public companies to pay corporate income tax

[Click here](#) for an extended list of applicable laws & regulations

#### Payment Types

Corporations in the extractive industries are required to pay federal corporate income taxes:

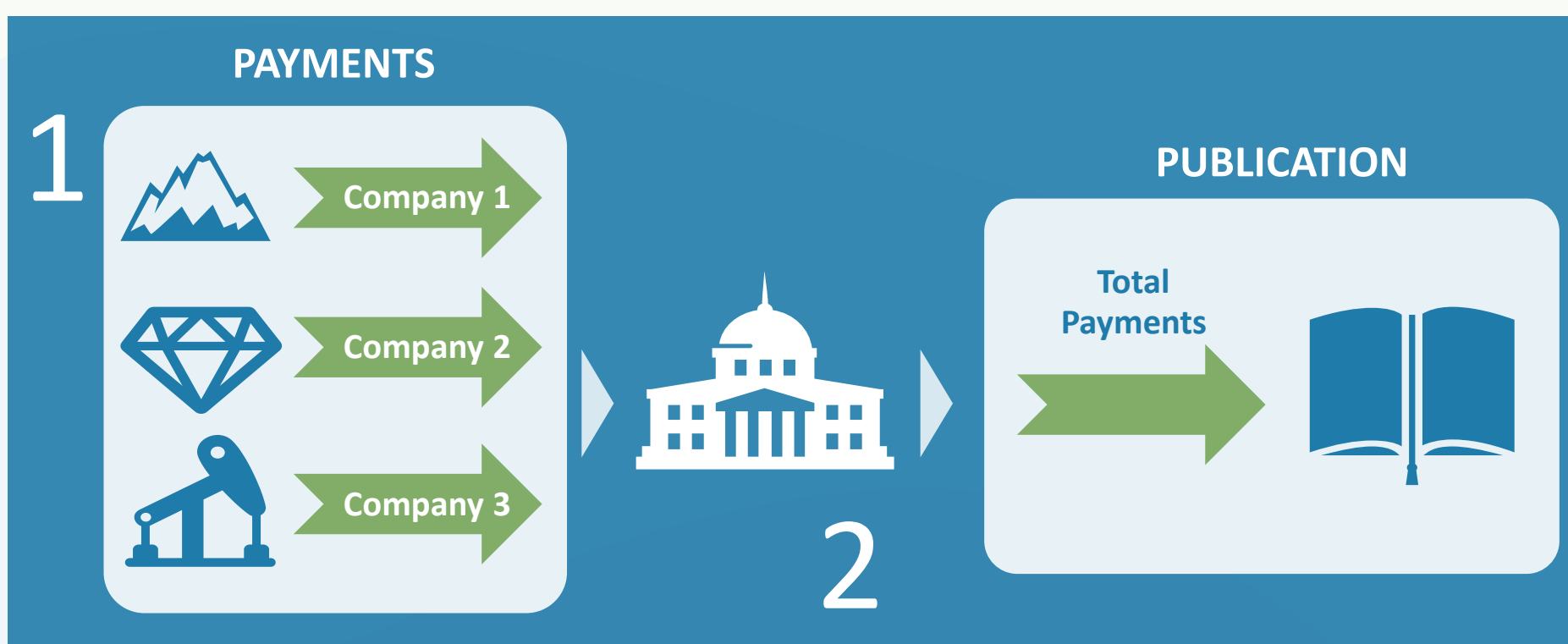
- [Corporate Income Tax](#)

Prior to publication, different revenue payments are verified by high levels of **internal** and **external scrutiny**

There are rigorous **standards** that companies and the U.S. Government must follow, as standards assure revenue payment and collection are verifiable.

Some standards relate to **internal controls** (such as accounting principles) while others subject data to additional management—primarily via **independent audits**. Controls are particularly important for companies as most data is not publically available even once validated and reported to the Government. These controls help companies report correct data on the first attempt, as companies are subject to **penalties** if found wrongfully calculating or reporting payments.

## Data Validation Standards & Systems



### 1 Companies

#### Internal Standards

Companies follow standards when reporting tax and non-tax payments:

**GAAP** – Public companies  
**GAAS** – Private companies  
**Sarbanes-Oxley Act**  
**Investment Company Act**



#### Transaction Audits

Government agencies conduct audits of company production and specific payments:

##### ONRR

Examines company records to ensure accuracy of reporting and payments

##### BLM

Verifies production, permits, conducts onsite inspections

##### IRS

Audits company tax returns

#### System Audits

Companies are also subject to audits of their internal systems (i.e. accounting) to ensure they comply with internal standards:



Click [here](#) for an extended list of data accuracy control systems

### 2 U.S. Government

#### Internal Standards

The U.S. Government follows standards governing and requiring financial transparency and revenue reporting:

**OMB Circular No. A-123**  
**Chief Financial Officers Act of 1990**  
**U.S. GAO Green Book**



#### Transaction Audits

Federal agencies have Offices of Inspector Generals that perform audits which are publicly listed on websites. This is in addition to the audits that GAO performs at agencies.

Click [here](#) for more information

#### System Audits

The U.S. Government is subject to 3rd party audits to ensure that agencies follow their own internal standards. **Some audits are routine**, and some are ad hoc in **response to events**

#### 3rd Party Auditors



#### System Audit Standards

**Yellow Book – GAGAS**  
**OMB Bulletin 14-02**

Click [here](#) for an extended list of data accuracy control systems

Click [here](#) for the latest GAO Audit



Standard-setting bodies monitor, regulate, and update **audit and controls requirements**

**Professional associations and Government entities** produce audit and control standards for both companies and Government agencies, protecting shareholders and taxpayers from malfeasance, waste, and abuse. Standards are important to transparency as detailed results of company audits may or may not be publically available. The indication of a passed or failed audit sufficiently demonstrates strong or weak data validation and reporting practices because of the standards auditors follow. Government audit results are publically disclosed on an annual basis.

For more detail on the standards and audits these bodies support, see the **graphic above**.

Data Validation Standards & Systems



1 Companies

- Internal Standards
- Transaction Audits
- System Audits

2 U.S. Government

- Internal Standards
- Transaction Audits
- System Audits

Standard-setting bodies & standards supporting data accuracy

Stand-setting bodies shape the transaction and system audit requirements for companies and Government agencies. Prior to the Sarbanes-Oxley Act of 2002, the auditing profession was self-regulated.



GAAP

Common set of accounting principles, standards, and procedures public companies use to compile financial statements.



GAAS

Audit standards that apply to non-public companies.



Yellow Book  
Green Book

Provide frameworks for conducting audits and internal controls in the Federal Government.



OMB Circular  
A-123

Defines management responsibilities for internal controls in the Federal Government.



Legislation –  
Sarbanes-Oxley

Enhances corporate responsibility, financial disclosures, and combats fraud.

## The various forms of payments each require different levels of publicity and transparency

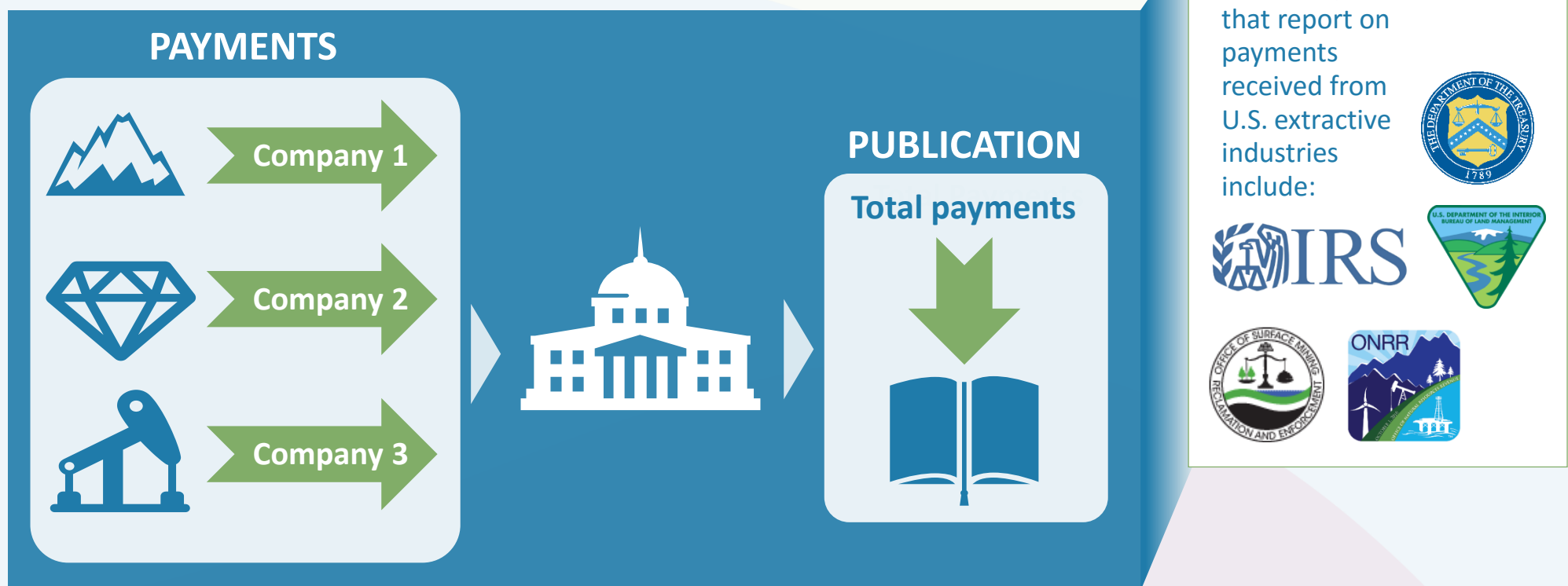
Payments (non-tax and tax) from companies to the Government are closely monitored in the U.S. However, not all the data is made available to the public.

Outside of **the USEITI process**, public companies are required to publish certain data—namely in **SEC filings**. New U.S. legislation found in the **Dodd-Frank Act** will require extractives companies to publicize revenue payments **data**, although these rules have not yet been finalized. Some companies do **voluntarily publish** data in order to promote transparency in the sector.

Different regulations compel the U.S. Government to publicize information. However, the U.S. Government is limited in the amount of data it can disclose by law. As a result, the Government publishes mostly **aggregate figures**—thus allowing it to publicize receipt of payments without publishing privileged or competitive information, such as the data from a single well or mine.

## Government Payment Reporting

The U.S. Government publishes aggregate information in as much detail as allowable by law.



### Applicable laws & regulations

The U.S. Government is subject to numerous laws governing data publication, including:

- **Federal Financial Management Improvement Act of 1996** – Ensures federal financial managements systems provide accurate, reliable, and timely information to Government managers
- **Government Management Reform Act of 1994** – Requires the audited agency financial statements that cover all accounts and activities of Government agencies
- **26 U.S. Code § 6103** – Requires confidentiality of tax returns and return information
- **18 U.S. Code § 1905** – Punishes disclosure of proprietary information by a Government employee
- **Indian Trusts Act of 1882** – Establishes rules for private and public trusts
- **Privacy Act of 1974**– Precludes the IRS from gathering information that is not used for tax administration purposes.

## Company Payment Reporting

U.S. companies' reporting requirements are different for public and non-public companies; some companies publish more data than legally required on a voluntary basis.

**Public companies** are required to file financial reports with the SEC.

- **Annual Disclosure:**
  - Form 10-K
  - Form 20-F
  - Form 40-F
- **Quarterly Disclosure**
  - Form 10-Q

**Non-public companies** typically use GAAP or GAAS to generate financial reports, but are not required to publicly disclose the financial or operational data.



New legislation—Section 1504 of **the Dodd Frank Act**—will require U.S. extractive industry companies to publish additional payment data

Click [here](#) to learn more

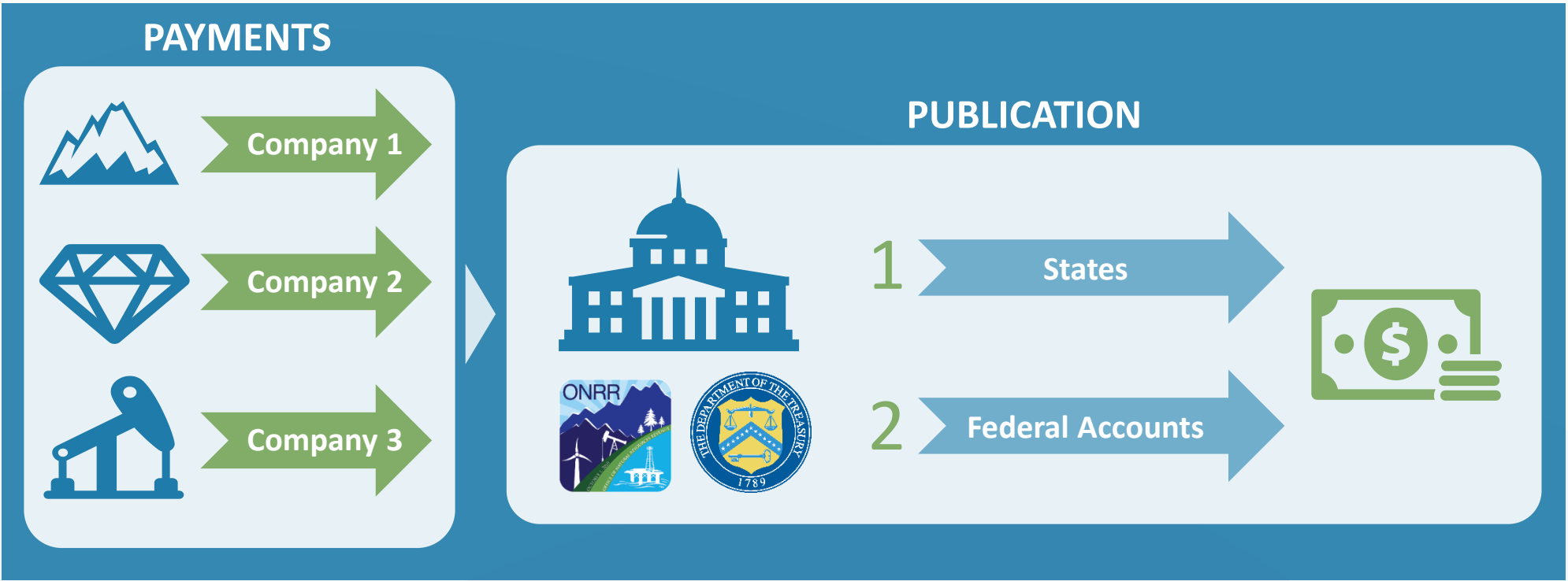
Once revenues are collected and verified, they are disbursed to a variety of end recipients

The Office of Natural Resources Revenue (ONRR) is responsible for collecting, disbursing, and verifying Federal and Indian energy and other natural resource revenues on behalf of all Americans. In FY 2015, ONRR disbursed over \$9.87 billion to the U.S. Treasury, various State and American Indian accounts, and special use accounts, such as the Reclamation Fund. ONRR disbursed these amounts in accordance with legislated formulas.

Every American benefits from the revenues generated from mineral resources, either directly through payments to Tribes and Individual Indian Mineral Owners (IIMOs) or indirectly through payments to the Historic Preservation Fund, the Land and Water Conservation Fund, the Reclamation Fund, States, and the General Fund of the U.S. Treasury.

## Government Revenue Disbursement

For more information on Federal disbursement of extractive industries revenue, and to see historical disbursement data, click [here](#).

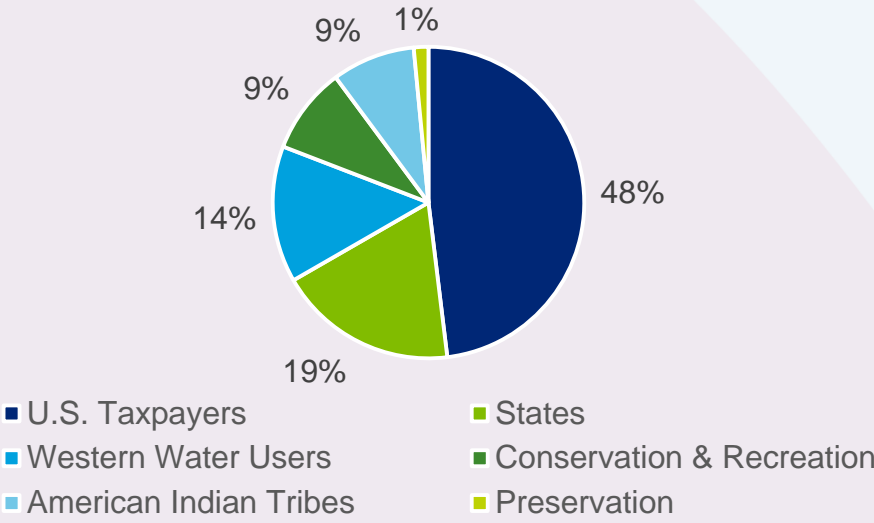


### 1 State Recipients

States which have natural resource extraction receive revenue disbursements from ONRR. 37 States Received Revenue payments in 2015

The \$1.84 Billion Mineral revenues disbursed to States can be a significant element of a State’s financial resource picture, providing funding for local schools, roads, libraries, public buildings, and general operations, as the States deem necessary.

2015 Revenue Recipients (\$9.9 Billion)



### 2 Federal Accounts

Mineral leasing revenues are one of the U.S. Government’s greatest sources of non-tax receipts. ONRR disburses revenues directly to the U.S. Treasury as well as several other Federal beneficiaries.

- U.S. Treasury General Fund:** \$4.75 Billion, funding various Government functions and programs through the General Fund of the U.S. Treasury.
- Bureau of Reclamation:** \$1.39 Billion, funding a significant portion of water resource development and maintenance work in the western United States.
- Land and Water Conservation Fund:** ONRR transfers nearly \$900 million annually to be used by Federal, State, and local Governments to help acquire, develop, and improve outdoor recreation areas.
- Indian Tribes and Indian Mineral Owners:** \$853 million collected from mineral leases on Indian lands are distributed regularly to Tribal Governments or IIMOs. These funds provide direct and tangible benefits to thousands of individuals, often as a major source of primary income.
- National Historic Preservation Fund:** ONRR annually transfers \$150 million to NHPF as seed money to preserve and protect our Nation’s irreplaceable heritage for current and future generations.





# OFFICE of NATURAL RESOURCES REVENUE (ONRR)

The Department of the Interior is involved in managing mineral leases in the U.S., led by **ONRR**

The Federal Oil an Gas Royalty Management Act of 1982 (**FOGRMA**) requires monthly distribution and disbursement of payments to the Government for mineral leasing revenues and authorizes penalties for violations. The distribution and disbursement functions within ONRR ensure proper distribution of payments.

ONRR’s mission is *to collect, disburse, and verify Federal and Indian energy and other natural resource revenues on behalf of all Americans*. Each month, ONRR receives and processes 49,000 royalty and production reports. To ensure that ONRR collects the proper revenues, it performs automated processes coordinating payments and reporting with industry and the U.S. Government, and may perform further controls such as audits to ensure proper payments.

## Government Revenue Disbursement

For more information on Federal disbursement of extractive industries revenue, and to see historical disbursement data, click [here](#).




## Verification of Payments

To ensure ONRR collects the proper revenues on Federal lands, ONRR performs automated processing of royalty and production reports, coordinating reporting and payment matters with industry, State Governments, American Indian Tribes, and other Federal agencies.



### Internal Controls

ONRR’s own processes are subject to standards and verification from 3rd parties

- 
- KPMG/third party audits** – In addition to annual Office of the Inspector General audits, third parties (external) audit ONRR’s financial functions annually.
  - GAGAS** – Framework used for conducting high quality audits with competence, integrity, objectivity, and independence. Audits have a high standard of verification in the form of evidence for company source documents and records – resulting in greater accuracy of payment and reporting.
  - USSGL** – ONRR uses USSGL accounts to prepare external reports to OMB and the U.S. Treasury to provide financial information for inclusion in its annual consolidated Interior Agency Financial Report.
  - CFO Act** – The CFO Act requires annual audits of Department of the Interior’s financial statements that include a thorough review of ONRR’s mineral revenue custodial accounts.

### Enforcement Mechanisms

If ONRR discovers inaccurate payments, it has several enforcement mechanisms at its disposal:

- Alternative Dispute Resolution** – ONRR establishes meetings with companies and auditors to discuss disputed issues or negotiating settlements of disputes when there was a risk that ONRR might not prevail in litigation..
- Litigation** – ONRR provides litigation support to the Office of the Solicitor and Department of Justice in appeals before the Department and in Federal Court. Litigation support includes preparing proofs of claims to submit in bankruptcy cases and collecting any monies due.
- Civil Penalties** – The Civil Penalty program is a tool ONRR uses to encourage compliance and to deter future violations. ONRR issues civil penalties when companies fail to comply with or knowingly or willfully violate applicable regulations or laws.

### If a Company Overpays or Underpays ONRR

